AEC Members’ Message is Clear: Duties on Chinese Extrusions are Making a Real Difference

By Nancy Klein, Aluminum Extruders Council
February 2012

Years of vigilant advocacy by the Aluminum Extruders Council (AEC) has turned the tide in the North American aluminum extrusion industry’s struggle to level the playing field in the international Fair Trade arena. The decisive push culminated in late March 2011, when AEC member representatives from the Aluminum Extrusions Fair Trade Committee went to Capitol Hill to present evidence before the U.S. International Trade Commission in its investigation into importation practices by Chinese extruders and their effects on American extruders.

According to the AEC delegation’s testimony, subsidies and dumping by the Chinese extrusion industry that significantly undercut American extrusions on price were allowing Chinese extruders to grab more than 20 percent of American extrusion markets. The International Trade Commission, agreeing with Aluminum Extruders Council members, ruled in favor of North American extruders and imposed game-changing duties and penalties on Chinese extrusion imports beginning in May of 2011.

Many AEC members are already experiencing a major boost to their extrusion business with increased orders and new projects anticipated for 2012 and beyond. In just a few short months, canvassing only a handful of extruders, AEC has been able to identify an estimated total of 24 million pounds of business that has been re-captured by domestic extruders, now that the playing field has been equalized.

Steve Schabel, Director of Sales and Marketing Integration for Alexandria Extrusion Company, has been tracking the shift in momentum for his company: “Alexandria Extrusion is seeing new projects develop. We’ve gained a bump in additional extrusion business that was manufactured in China, and will now be manufactured at Alexandria. We’re experiencing a 7.5% increase in sales. For new projects on the horizon, it’s been decided that it cannot and will not be supplied by Chinese manufacturers, which could boost new sales to a 10% increase. We believe this is not all of the business potential we will gain.”

Schabel asserts that there are many companies now seeking out domestic extrusion suppliers, which is welcome news for AEC members: “All of our new business is being generated by U.S.-based companies, with a current one million pound increase, which we’re projecting to rise to two million pounds,” says Schabel. Alexandria Extrusion has been hiring for several months, and is aggressively seeking qualified personnel to employ for 24/7 production at its Alexandria, MN facility.
Steve Mahan, OEM Rod and Bar, and Rob Swartz, Sales VP for HA, Wire & Billet at Kaiser Aluminum, cite the benefits of one OEM customer who moved their purchases of aluminum alloy 6262 extrusion rod from China to Kaiser’s 6042 rod, which is produced in Sherman, Texas. “We estimate this increased volume on an annual basis is in the area of 350,000 to 500,000 pounds of new business,” says Swartz. In addition, the Loxcreen Company’s Talley Chism cites an opportunity their extrusion plant received, “An account that buys fabricated kits and sells to big box retailers had been importing those parts for competitive reasons. This represents about $400,000 in new business for us.”

AEC Chairman and President of Bonnell Aluminum Duncan Crowdis has identified more than eight million pounds of new aluminum extrusion business of which they are aware that was formerly sourced from China and has been won back by a domestic extruder, spanning several markets including extrusion products for screen rails (3,450,000 pounds), shower enclosures (1,750,000 pounds), RV products (550,000 pounds), garage doors (400,000 pounds), blinds (100,000 pounds), windows (50,000 pounds), medical equipment (75,000 pounds), and for several distributors (1,400,000 pounds). Crowdis believes that these solid gains are just the beginning on the new path forward for the American aluminum extrusion industry. Crowdis states, “While Bonnell would obviously like the business to come our way, what is even more important is that this business is rightly coming back to a domestic extruder, which will benefit the entire industry.”

As members of the Aluminum Extruders Council continue the push forward to re-capture and grow market share, the Council is preparing to guide strict enforcement of the ruling by U.S. Customs officials. On behalf of the industry, AEC has contracted the law firm of King & Spalding to defend major challenges to the ruling so that key extrusion products will not be excluded from duties, and to work with U.S. Customs agencies to enforce the full ruling to prevent circumvention and illegal extrusions entering the U.S.

Council President Rand Baldwin notes the timing of AEC’s enforcement surge is critical: “AEC members now have a unique window of opportunity to collectively and aggressively seize new business and nurture growing demand for top-quality American extrusions in industries where extruded aluminum use is trending upward over the next decade, such as transportation, solar structures, and building & construction retrofitting and renovation. To grow extrusion markets in the short and long term, it is crucial that the Council pursues all venues to prevent illegal Chinese extrusion imports from encroaching on these growth markets. Clearly, we are already seeing significant gains in new business for our members. We expect our domestic extrusion industry to flourish going forward with a strategic combination of fair trade vigilance and industry promotion of our members’ commitments to quality, standards and innovation.”

New domestic extrusion business goes hand-in-hand with job creation. U.S. extrusion plants hardest hit by illegal dumping of Chinese extrusions in recent years are looking forward to the prospects for an expanding and productive workforce.
Sapa Extrusions is experiencing a direct impact on business, with increased overall demand for its extrusions. To meet the upsurge in orders, Sapa is investing $10 million to substantially increase production capacity of aluminum billet and log in their largest cast house, essentially doubling its capacity and creating 25 to 35 more full-time positions at their Cressona, PA facility. Additional new business is fast-emerging for Sapa, resulting from the duties imposed on Chinese imports.

AEC at-large director and Sapa Director of Marketing & Business Development Jeffrey Henderson explains, “Anodizing business in end uses such as commercial B&C, solar frames and mounting systems, and a host of industrial applications is returning. One of our top anodizing customers typically bought a third of their extrusions from China, and another of our customers bought half their volume (anodized) from China. Both have come back to the U.S. and now buy 100 percent from us. This business is valued at about three million pounds per year, which translates to approximately $6 million.”

Increased demand for Sapa’s anodized products led Sapa to expand capacity at their Portland, OR, Delhi, LA, and Miami, FL operations, a combined capital investment of about $3 million. Says Henderson, “This expansion is driven entirely by the spike in demand we’ve seen this year. Each anodizing shift creates five to ten new jobs for those local communities. Our expansion has resulted in about 50 new jobs being created.”

Henderson cites the Florida market turning back to U.S. suppliers in a big way, with painted extrusion sales rising in this region where China had decimated the market during the previous ten years. He notes that despite the housing market depression and lack of recent hurricanes in Florida, sales have increased by up to 25 percent, translating to about ten million pounds per year, or about $20 million for applications such as hurricane shutters, lanai frames, and residential window and doors.

Thermal management (heat sink) customers report to Sapa they are now seeking out domestic suppliers for extrusions historically bought from China. Sapa is projecting sales to these end users to be up by 10 to 15 percent this year (2012), and up another 20 to 30 percent next year. Increased thermal and solar application business has secondary impacts, prompting Sapa to meet supply by investing a total of $2 million in new fabrication equipment, installing new CNC workstations in their Mountain Top, PA, Portland, OR, and Cressona, PA plants, and creating another 30 to 50 jobs in those communities.

Matthew Dionne, President of Hydro Aluminum’s North American extrusion operations notes a tangible increase in business they competed for and won among customers who had been buying their extrusion products from China. Dionne cites what will be a jump in fourth quarter volume over the same period last year, even though the overall market isn’t much different than last year: “Our extrusion business in the U.S. is better than last year, and more solid than it has been in awhile, though not returned to 2006 levels.”
“The outlook is more positive for U.S. suppliers with the implementation of these duties,” Dionne says, “The duties have had a positive impact for us and for our motivation internally. We have renewed business with customers who felt forced to buy from China due to the lower price offered to their competitors. We just wanted fair competition for business in the U.S., and we believe these duties have leveled the playing field.”

Dionne notes, “We’ve also added nearly 30 full-time professional employees in commercial, engineering and production launch positions since the beginning of this year. Some of this hiring is linked directly to the duties, because we might not have added so many new people had the Chinese position in our market stayed the same.”

Long-time AEC member and recently-retired Hydro Aluminum executive Lynn Brown expects that the shift in the trade environment is favorably benefiting Hydro’s ability to compete, gain business and preserve jobs at the company’s U.S. facilities. Brown sums up the need for all AEC members to leverage the domestic aluminum extrusion industry’s current advantage: “I suspect many extruders have been surprised at the breadth of the Chinese penetration. We had a sense of where they were selling, but smaller buyers – often in the heartland – are coming forward and seeking domestic supply now that their inventories have run out. Council member efforts have restored the level playing field – now we’ve got to give our domestic plants the opportunity to really compete as we can.”

Baldwin knows future success demands that AEC be the U.S. aluminum extrusion industry’s catalyst for growth. “As an industry, we must actively promote innovation by anticipating customer needs and continuously incorporating technology advances into products of the future,” says Baldwin, “The ITC ruling against dumping of cheap Chinese extrusion imports has paved the way for the industry to grow back to our historically normal levels. Our members offer the highest quality standards in extruded aluminum products anywhere in the world. Extrusion customers are rediscovering the value of sourcing locally in order to manufacture the most globally competitive products right here in the U.S. Every Council member has a stake in the North American extrusion industry’s comeback. With our members’ support, AEC will do what it takes to retain our gains and shape this entire industry forward.”

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